

Examples of Disability Pension Cost-Saving Provisions

Off-Set:

An “off-set” reduces a retiree’s pension directly. For example, duty-related disability benefits in Colorado are reduced by the amount of Social Security disability benefits derived from employment as a member.

None of the public pension plans in Washington currently have an off-set provision. L&I awards in Washington are not reduced if the person is receiving a disability pension. The governmental pension off-set will apply to Social Security benefits if the disabled LEOFF member qualifies for SSI through non-LEOFF employment.

Income Test:

An “income test” compares a person’s post-retirement income to their salary while they were a member and adjusts the retiree’s pension if their post-retirement income exceeds a certain threshold. For example, occupational disability benefits in Colorado are reduced by 25% of the retiree’s earned income which exceeds the salary paid to someone of the same rank. The definition of “income” typically includes salary and other forms of earned income but does not include monetary compensation for injuries.

An income test is different from an income threshold used to determine eligibility for a benefit. For example, a retiree in Colorado is considered totally disabled if they are not capable of any substantial employment and “substantial employment” is defined using an income threshold. None of the public pension plans in Washington have an income test. Post-retirement income is monitored by the Department of Retirement Systems as a means of identifying disability retirees who may have recovered in whole or in part from their disability.

Conversion to Service Retirement:

A conversion to a service retirement means that the retiree’s disability pension stops when they reach normal retirement age and the retiree begins receiving a pension based on the service retirement provisions (years of service x final average salary x 2%). Typically, the person’s service and final average salary are adjusted to take into account the duration of the disability. The member’s service retirement would not qualify for favorable tax treatment.

Colorado does not have a conversion to normal retirement for either their permanent occupational disability benefits or their total disability benefits. Colorado has a separate temporary occupational disability benefit which converts to a service retirement. None of the public pension plans in Washington have a disability retirement conversion to normal retirement.